

CPPP Opposes Proposition 4 on the Statewide Ballot this Fall

Harmful proposition would tie the hands of future Texans

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Texans are about to start hearing more about a state income tax. Here's why.

During the most recent state legislative session in Austin, lawmakers passed a bill (HJR 38) to put a constitutional amendment about income taxes on the election ballot this fall.

The amendment, if approved, would explicitly prohibit Texas in the future from ever creating a state income tax, unless we do an entire new ballot initiative.

CPPP opposes Proposition 4 because it is unnecessary and short-sighted.

Texas is one of nine states that does not have a broad-based personal income tax. The Texas Constitution already contains provisions that would control the possible adoption of an income tax.

The "Bullock Amendment," adopted in 1993 (Art. 8, sec. 24), gives voters final control over any future income tax by requiring approval by a statewide referendum before an income tax could take effect. Even though we don't have an income tax, the Constitution already dedicates two-thirds of the revenue from any future income tax to reducing school property tax rates, with the remaining third dedicated to education. Voters would even have to approve further tax-rate increases.

Voters therefore already have total control over the adoption of an income tax. This proposed amendment would only place unnecessary hurdles for future generations to overcome in order to make their own choices about how to support public services like education, health care, and transportation.

Proposition 4 would repeal the Bullock Amendment and its protections, leaving a complete prohibition against the Legislature "imposing a net income tax on individuals." If this amendment passes, a future Legislature adopting an income tax would have to send a new amendment to the voters. Placing a constitutional amendment on the ballot requires a two-thirds vote of both the House and the Senate, keeping the voters from easily expressing their preference.

We cannot be sure now what the state's needs and priorities may be in 20 or 30 or 40 years, so we should allow Texans living then to determine their own priorities. We do know that the state is growing rapidly, and revenue needs have increased dramatically in the last decade. To meet the growing educational and health care needs of the state, we need revenue options; the Bullock amendment option could free up funds and reduce taxes for many Texans.

Future voters might want to turn to an income tax to reduce our state's heavy reliance on just two sources of revenue – sales and property taxes – to support state and local services. States without an income tax rely on property taxes for 39 percent of tax revenue, while in states with an income tax, property taxes are counted on for only 31 percent of tax revenue. Similarly, sales taxes account for 44 percent of tax revenue in non-income-tax states, but only 33 percent in income-tax states. States with

three major sources of tax revenue can balance the advantages and disadvantages of each type of tax – particularly their fairness and volatility – to achieve a stable source of support. States without an income tax are more susceptible to economic fluctuations and have tax systems that take a higher proportion of the income of lower and middle-income families than of higher income families.

The best business climate in the future may require a state personal income tax. Businesses pay a higher proportion of state and local taxes in Texas than in states that tax individual incomes. Texas businesses pay 62 percent of state and local taxes; the national average is 44 percent. The difference is the amount raised from individuals via a personal income tax. The business community of the future may want to support adoption of an income tax, but would face the higher hurdle that would be imposed by this short-sighted constitutional amendment.

CPPP opposes Proposition 4.

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